

VZCZCXRO1510
RR RUEHRG
DE RUEHSO #0965/01 2481657
ZNR UUUUU ZZH
R 051657Z SEP 06
FM AMCONSUL SAO PAULO
TO RUEHC/SECSTATE WASHDC 5728
INFO RUEHBR/AMEMBASSY BRASILIA 6791
RHEHNSC/NSC WASHDC
RUCPDO/USDOC WASHDC 2560
RUEHMN/AMEMBASSY MONTEVIDEO 2145
RUEHBU/AMEMBASSY BUENOS AIRES 2443
RUEHSG/AMEMBASSY SANTIAGO 1860
RUEHLP/AMEMBASSY LA PAZ 3005
RUEHCV/AMEMBASSY CARACAS 0377
RUEHRG/AMCONSUL RECIFE 3118
RUEHRI/AMCONSUL RIO DE JANEIRO 7410
RUEHAC/AMEMBASSY ASUNCION 2758
RUEATRS/DEPT OF TREASURY WASHDC
RUEHC/DEPT OF LABOR WASHDC

UNCLAS SECTION 01 OF 03 SAO PAULO 000965

SIPDIS

SENSITIVE
SIPDIS

DEPT FOR WHA/BSC, EB/CBA, and EB/IPE
STATE PASS TO USTR FOR MSULLIVAN
STATE PASS EXIMBANK
STATE PASS OPIC FOR MORONESE, RIVERA, MERVENNE
NSC FOR FEARS
USDOC FOR 4332/ITA/MAC/OLAC
USDOC FOR 3134/USFCS/OIO
USDOC ALSO PASS PTO/OLIA
TREASURY FOR OASIA, DAS LEE AND JHOEK
DOL FOR ILAB MMITTELHAUSER

E.O. 12958: N/A

TAGS: [ECON](#) [EINV](#) [ETRD](#) [BEXP](#) [KIPR](#) [BR](#)

SUBJECT: AMBASSADOR'S AUGUST 23-24 VISIT TO SAO PAULO

SENSITIVE BUT UNCLASSIFIED; PLEASE PROTECT ACCORDINGLY

SUMMARY

11. (SBU) Ambassador Clifford Sobel passed two eventful days in Sao Paulo August 23-24, beginning his visit with an appearance at the opening of a Calder exhibit at the Pinacoteca, one of the major art museums in Sao Paulo. The following day he met separately with the heads of the Brazilian subsidiaries of two major U.S. companies as well as the Vice President for Latin America of the Motion Picture Association. He also attended a lunch at the American Chamber of Commerce and made remarks with the AMCHAM board and other influential private sector leaders in attendance. The Ambassador exchanged views on a range of economic and political issues, discussed possible strategies for expanding trade and investment, and explored the possibilities for corporate responsibility activities in the private sector. End Summary.

GM OF BRASIL

12. (SBU) Ambassador Sobel met privately with Ray G. Young, President and Managing director of GM of Brasil since January, 2004, who also sits on GM's Latin America, Africa and Middle East Strategy Board. Young expressed enthusiasm for the current Brazilian economy, the outlook for GM's operations in the country, and the adaptability of the Brazilian worker. According to Young, the outlook for GM in Brazil is excellent. If the current GDP growth levels of the last 3-4 years are maintained, or, better yet, if the economy can grow 5 percent annually while remaining stable, GM will be able to continue to operate profitably. His three

recommendations to the GoB would be: (1) establish growth targets (of 5 percent annually) and then prepare a business plan to achieve this goal; (2) implement tax reform and reduce government inefficiency in order to help achieve the goal; and (3) make education a high priority to help continue to develop a qualified, skilled work force to meet the challenges of globalization and a continually changing economy.

13. (SBU) GM of Brasil has 21,000 employees. Seventy percent of its market is domestic, with foreign sales accounting for the other 30 percent. The company plans to double its engineering staff in order to export engineering services. Young believes that if GM had access to Asian markets it would be competitive there. He stressed the importance of competitiveness and of "opening one's eyes" to market opportunities. In his opinion, Brazil should be a global player and should begin to use new business models. GM is well respected in the community and has not encountered any anti-Americanism in Brazil. The night prior to his meeting with the Ambassador, Young and CEOs of other major companies attended a dinner with President Lula, who was seeking feedback on issues of concern to the business community and ideas on opportunities for the next administration.

GE BRASIL

14. (SBU) The Ambassador also met privately with Alexandre G. Silva, President and CEO of GE Brasil since October 2001 as well as Vice President of the AMCHAM Board. GE is a thriving company in Brazil with 6,000 employees, and expects 20 percent growth by the year 2010. In Latin America, GE predicts growth of more than 30 percent by 2010, compared to 25 percent in China and 20 in India. GE's aircraft overhaul business is very profitable in Brazil, due to the

SAO PAULO 00000965 002 OF 003

cost-efficient facilities, talented labor force, and growing number of contracts with U.S. air carriers (Southwest, UPS, and others).

DIFFERING EXPERIENCES IN VENEZUELA

15. (SBU) Both GM and GE operate in Venezuela and have had different experiences dealing with the GoV. GM has offices and factories located in Venezuela, whereas GE only ships products to the country and has little staff or facilities there. GM President Young said GM believes it is discriminated against in Venezuela, resulting in a reducing market share compared to Japanese auto makers. Venezuela is still a profitable market for GM, but if continued exhaustive perusal of documentation, imposition of further regulations, and other obstacles persist, doing business may become increasingly difficult. GE, which has no manufacturing operations in Venezuela, has experienced no problems. GE is profitable in Venezuela and plans to do more business there, particularly in the area of equipment used by the oil industry.

16. (U) The Ambassador asked both Young and Silva about their companies' corporate responsibility programs and activities. Young stated GM has several social responsibility programs, focusing on the local communities where GM facilities are located, and promised to provide more detailed information. Silva said that of GE's 6,000 employees, 3,000 are active in social responsibility programs. Both executives were also enthusiastic about the possibility of creating a Brazilian "Council on Competitiveness" agenda, in addition to a speaker's programs with local universities.

AMCHAM LUNCH

17. (U) AMCHAM Brazil sponsored a lunch for the Ambassador, with approximately 50 members and private sector leaders in attendance. The Sao Paulo AMCHAM is the largest American Chamber of Commerce in the world outside the United States, bringing together over 6,000

small, medium, and large enterprises. There are affiliate offices in Belo Horizonte, Brasilia, Campinas (Sao Paulo state), Curitiba, Goiania, Porto Alegre and Recife. 80 percent of the members are Brazilian companies, 13 percent are American companies, and the rest are of other nationalities. The Ambassador delivered brief remarks on USG's interest in promoting investment and trade, and corporate responsibility. During the discussion period, some major issues of concern raised by the business leaders were the renewal of GSP benefits, the benefits to be derived from a closer bilateral trade relationship, cooperation on biofuels, the importance of the agricultural sector to U.S. and Brazilian commercial interests, concern over Venezuela's being part of Mercosul, and prospects for the Doha Round. The Ambassador stressed the important role that the AMCHAM played in these issues.

MOTION PICTURE ASSOCIATION

¶8. (SBU) The Ambassador later met with Steve Solot, Senior Vice President for Latin American Operations for the Motion Picture Association (MPA). Brazil is the Latin American region's most important market, with 40 percent of regional media revenue, of which half is in video. The MPA has a very good relationship with the Brazilian film industry. Approximately 60 films were co-produced or co-distributed in the past two years, including the top five Brazilian films for 2005. MPA continues to have major concerns about IPR piracy. In recognition of the GoB's growing

SAO PAULO 00000965 003 OF 003

efforts and accomplishments in combating piracy, MPA plans to give an award to the head of the National Anti-Piracy Council. Other issues of concern are: (1) the transition to digital TV and its effect on protection of content, (2) Brazil's Development Agenda in WIPO, which seeks to provide more flexible copyright protection for developing countries (the MPA believes it should be the opposite), and (3) the USG's Special 301 process. Solot explained that the copyright industries advocated upgrading Brazil on the Watch List this year. Brazil remained on the Priority Watch List largely due to the GoB's policies on pharmaceutical patents; nonetheless, most Brazilians believe MPA was responsible for the ranking due to its energetic advocacy for copyright protection. The Ambassador expressed interest in Solot's offer to host film screenings, perhaps in coordination with Foreign Minister Celso Amorim, a former executive of Brazil's largest film company.

COMMENT

¶9. (SBU) This was a successful visit that enabled the Ambassador to make further progress in the key areas of promoting trade and investment, underscoring the importance that the business community played in Brazilian policy decisions. It also allowed the Ambassador to stress the importance of corporate responsibility. END COMMENT.

¶10. (U) Ambassador Sobel has approved this cable.

McMullen